



## Business Growth is Expected to Continue in Minnesota

Minnesota firms that provide business services (such as scientists, engineers, accountants, computer and public relations consultants) expect continued expansion in Minnesota. More than half of respondents experienced growing sales revenues in 2013 and about the same share expect the trend to continue in 2014. Additionally, 38 percent indicated increased profits in 2013, while a higher share of 44 percent anticipate growing profits for 2014.

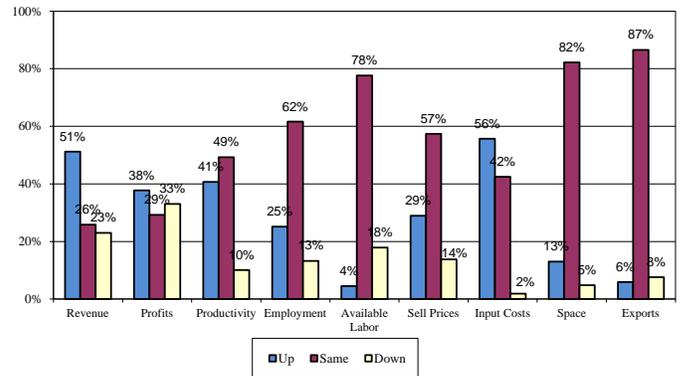
These results come from a random sample survey of Minnesota business services firms conducted in April and May by the Minnesota Department of Employment and Economic Development (DEED) and the Federal Reserve Bank of Minneapolis.

Business services firms support activities of other companies statewide and their performance is an indicator of the overall state's economic health.

### Business Services Firms – The Past Year

Most indicators showed increased or unchanged conditions. Productivity was up for 51 percent of businesses and remained unchanged for 26 percent. Profits rose for 38 percent and stayed unchanged for 29 percent. Sales revenue increased for half of businesses and continued unchanged for 26 percent. Employment and labor availability stayed mostly unchanged with 62 and 78 percent of businesses indicating unchanged conditions, respectively.

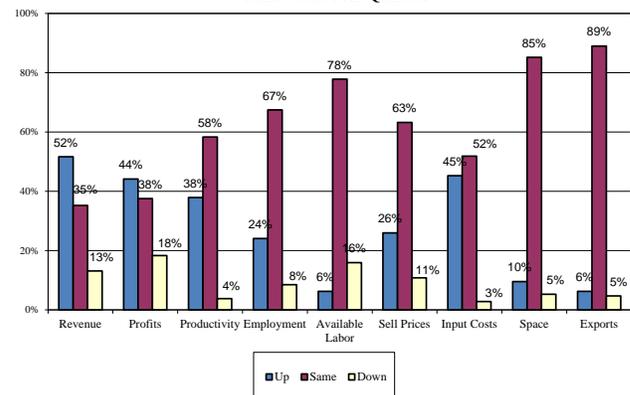
Economic Performance for Minnesota's Business Services Firms - Previous Four Quarters



### Business Services Firms - The Next Year

Minnesota's business services firms expect mostly improved conditions for the coming year. They anticipate increased sales, profits and productivity. Diffusion indexes for these indicators are higher than 50, suggesting that businesses predict expansion. Labor availability is largely expected to remain unchanged with 78 percent of businesses anticipating the same conditions as in the previous year.

Outlook on Economic Performance for Minnesota's Business Services Firms - Next Four Quarters

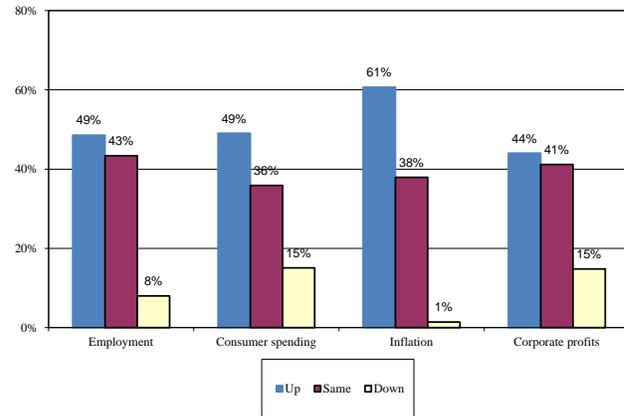


## Outlook on the State Economy

Business services firms are optimistic about the overall state economy next year. Nearly half anticipate growing employment and consumer spending, but 61 percent expect inflation to increase.

Responding to a new series of questions about the oil boom in North Dakota, the largest effect on Minnesota services businesses was in sales, with 17 percent of respondents indicating an increase.

Outlook on State Economic Indicators - Next Four Quarters



## Survey of Minnesota Business Services Firms, 2014

How did your location perform during the last four quarters compared to the previous four quarters?	<u>Up</u>	<u>Same</u>	<u>Down</u>	Diffusion Index* <u>2014</u>	Diffusion Index* <u>2013</u>	
	Sales revenue	51%	26%	23%	64	57
Profits	38%	29%	33%	52	48	
Productivity	41%	49%	10%	65	61	
Employment level	25%	62%	13%	56	54	
Labor availability	4%	78%	18%	43	51	
Selling prices	29%	57%	14%	58	46	
Input costs	56%	42%	2%	77	77	
Space occupied (square footage)	13%	82%	5%	54	50	
Exports (sales for foreign clients)	6%	87%	8%	49	51	
	<u>Decrease</u>	<u>0%</u>	<u>1-2%</u>	<u>3-5%</u>	<u>6-9%</u>	<u>&gt;10%</u>
Wages per worker	5%	29%	22%	35%	4%	5%
Benefits per worker	6%	50%	14%	22%	5%	4%
How do you expect your location to perform during the next four quarters?	<u>Up</u>	<u>Same</u>	<u>Down</u>	Diffusion Index* <u>2014</u>	Diffusion Index* <u>2013</u>	
Sales revenue	52%	35%	13%	69	66	
Profits	44%	38%	18%	63	59	
Productivity	38%	58%	4%	67	65	
Employment level	24%	67%	8%	58	57	
Labor availability	6%	78%	16%	45	47	
Selling prices	26%	63%	11%	58	55	
Input costs	45%	52%	3%	71	74	
Space occupied (square footage)	10%	85%	5%	52	51	
Exports (sales for foreign clients)	6%	89%	5%	51	52	
	<u>Decrease</u>	<u>0%</u>	<u>1-2%</u>	<u>3-5%</u>	<u>6-9%</u>	<u>&gt;10%</u>
Wages per worker	4%	31%	22%	37%	3%	2%
Benefits per worker	5%	52%	13%	22%	5%	3%
What is your outlook on the following state economic indicators during the next four quarters:	<u>Up</u>	<u>Same</u>	<u>Down</u>	Diffusion Index* <u>2014</u>	Diffusion Index* <u>2013</u>	
Employment	49%	43%	8%	70	62	
Consumer spending	49%	36%	15%	67	61	
Inflation	61%	38%	1%	80	82	
Corporate profits	44%	41%	15%	65	57	
Mergers and Acquisitions	45%	48%	7%	69	64	
Have changes in credit conditions in the last four quarters affected your firm?	<u>No Changes</u>	<u>Increased Hiring</u>	<u>Increased Capital Exp.</u>	<u>Decreased Hiring</u>	<u>Decreased Capital Exp.</u>	
	66%	5%	7%	5%	11%	
Has increased oil exploration and drilling activities in North Dakota affected your business in the last two years?	<u>No</u>	<u>Up</u>	<u>Down</u>			
Sales	83%	17%	0%			
Employment level	96%	4%	0%			
Capital expenditure	97%	3%	0%			
New location in North Dakota	97%	1%	2%			
Expansion of a North Dakota Location	97%	2%	1%			

\*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.

Notes: Based on responses from 241 Minnesota services businesses, for a response rate of 20 percent. The sampling error is plus or minus 6.3 percentage points at the 95 percent confidence level. Percentages may not add to 100 percent due to rounding.

Prepared by Analysis and Evaluation, Minnesota Department of Employment and Economic Development, June 2014.